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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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ENTRY OF CONTRABAND MEAT TO MEXICO FROM THE UNITED STATES, TRUE OR FALSE?

Secretary of Agriculture Javier Usabiaga denied any possibility that contraband meat from the United States is entering Mexico after the prohibition of imports of said product due to the detection of BSE. He said that the supply of meat for consumption in Mexico is guaranteed because domestic producers are committed to this requirement. Secretary Usabiaga explained that through the NAFTA, the only country that has access to exports of meat to Mexico is Canada, which also has closed its borders to U.S. meat imports. (Source: *Milenio*, 1/9/04)

DOES BSE GO UNREPORTED IN OTHER CATTLE PRODUCING COUNTRIES?

The Mexican authorities alerted the International Organization of Animal Health of the risk that BSE outbreaks could go unreported in some countries due to severe sanctions that are applied when sporadic cases are known. The Director of SENASICA at SAGARPA, Dr. Javier Trujillo, said that measures have provoked multi-million dollar losses in countries that have had outbreaks of BSE, such as Canada and the United States, countries that have been honest in advising the international community of said outbreaks. (Source: *El Universal*, 1/12/04)

DEMANDS TO UPHOLD PROHIBITION OF U.S. MEAT CONTINUE

Mexican cattle producers demanded that the federal government uphold the closure of the borders to U.S. beef meat until they implement all of the international standards of safety and quality, which may take months or years to accomplish. Juan Barrio, President of the Mexican Association of Feedlot Owners, warned that they will not allow unilateral decisions from Vicente Fox's government to accept petitions from the United States for Mexico to open its markets for U.S. beef. Barrio said that this situation opens the possibility of recuperating 40 percent of the domestic market that Mexico lost during the tenure of the NAFTA. (Source: *El Universal*, 1/9/04)

MEXICO CLAIMS TO BE SELF-SUFFICIENT IN MEAT FOR THE NEXT SIX MONTHS

Cattlemen and feedlot owners stated that they have sufficient capacity to supply from four to six months of beef to the national market, and are promoting alliances among the food chain including cattle breeders, who export their stock, so that after the six-month term ends, the supply will continue to be satisfactory. Mexico's livestock industry is confident that due to the closure of the borders to U.S. beef, national production will continue to be its major

source of supply. Furthermore, an opportunity to export beef from Mexico to Japan is viable. (Source: *El Financiero*, 1/9/04)

MEXICAN RESTAURANT OWNERS FORESEE BEEF MEAT PRICE INCREASE

According the National Chamber of Restaurants and Food Ingredients (CANIRAC), due to the closure of the borders to imports of U.S. beef meat, suppliers to restaurants last week began to increase their prices of beef meat by 25 to 30 percent. CANIRAC said that this increase would translate in an increase of two and three percent on the menus and thus to the customers. (Source: *Reforma*, 1/12/04)

POULTRY MEAT PRICES COULD INCREASE DUE TO THE BSE SCARE

The President of the Poultry Producers Association, Cesar de Anda, indicated that the tendency of consumers to substitute beef for poultry, due to the BSE scare, could result in price increases of about ten percent during the next few weeks. He explained that at the end of 2003, domestic demand increased but there is no information that it was due to BSE or the public campaign that was carried out to consume chicken for Christmas. (Source: *El Financiero*, 1/12/04)

DRY BEAN CONSUMPTION DROPPED

In the last three years, Mexico's dry bean consumption has dropped by approximately 56,000 MT annually. This situation creates an imbalance between production and consumption as well as market problems, pointed out Jose Trejo-Reyes, Federal Congressman for Zacatecas, one of the most important dry bean producing states. He stated that total consumption is approximately 1.2 MMT, which has decreased approximately 56,000 MT annually in the last three years. As a consequence, he said, Congress approved the over-quota 2004 NAFTA applied tariff at 46.9 percent, the same as the 2004 NAFTA bound tariff (See MX 4003). Also, he stated that dry bean imports would be authorized based on national supply conditions and the marketing of domestic product. (Source: *Excelsior*, 1/12/04)

DIFFERENCES BETWEEN THE UNITED STATES AND LATIN AMERICAN COUNTRIES AT AMERICAS CONFERENCE

The U.S. President and 33 elected leaders of the Americas will meet in Monterrey, Mexico, on Monday, January 12, 2004, without a common vision for the future of the Western Hemisphere. Expectations for great progress are low and friction on important proposals is high. The leaders of Brazil and Argentina do not see eye to eye with President Bush on his free-trade agenda. President Vicente Fox of Mexico will press him to do more for migrants than his proposition of temporary work permits. Some leaders, as imperious demands on their sovereignty increase, are viewing national security as only a need of the United States. Some small peasant farmers see American agricultural subsidies as crushing them and stifling competition. Government ministers from the 34 nations at this Summit of the Americas, some of whom have been meeting since last Thursday, have not even agreed on a common declaration to be issued by their leaders. An American official here said there were only "possibilities at the margins" for the United States' agenda of advancing trade, security and migration control. (Source: *La Jornada*, *Milenio*, *Reforma*, *El Universal*, and *El Financiero*, 1/12/04)

THE PERMANENT COMMITTEE IN CONGRESS APPROVES A PROPOSED REVISION OF ITS NAFTA AGRICULTURAL CHAPTER

The Congress Permanent Committee approved, with a vote against from the National Action Party (PAN), an "agreement" requesting the corresponding committees in the Senate (i.e., agriculture and livestock) to revise its NAFTA agricultural chapter. Also, the Permanent Committee asked the Government of Mexico to assume "without shyness or delay" the defense of farmers' interests that this trade agreement has harmed them. (Source: *La Jornada*, 1/8/04)

THE PRI PROTESTS AGAINST NAFTA

According to Roberto Madrazo, President of the Institutional Revolutionary Party (PRI), negative results in the Mexican agricultural sector are a consequence of NAFTA. He stated that, "it is time to remove the neo-liberals from the government." According to Madrazo, "the neo-liberals forgot to stimulate production and sustainable development in the countryside." He said proof of this is that NAFTA increased food dependence, which is demonstrated by 95 percent of soybean imports, 58 percent of rice, 49 percent of wheat and approximately 25 percent of corn. Also, the inequity with NAFTA trade partners (the United States and Canada), which has increased in the last five years. Mexican farmers have only received US\$500 million dollars in supports, while U.S. and Canadian farmers have received US\$180 billion dollars, he said. (Source: *Reforma*, 1/8/04)

WAL-MART TO RETURN TO THE MEXICAN RETAILERS ASSOCIATION?

It is rumored that Wal-Mart is considering returning to the Mexican retailers association (ANTAD) from which it left in October 2002. Wal-Mart left ANTAD because it opposed part of ANTAD's Code of Ethics that would have banned price comparison advertising that specifically listed competitors' prices for same products. (Note: Such price comparison advertising remains common among all Mexican supermarket chains. End note.) The departure of Wal-Mart from ANTAD was never viewed by either party as definitive and final, and in recent weeks industry sources have talked about a rapprochement. Neither Wal-Mart nor ANTAD would comment on the subject. (Source: *El Financiero*, 1/7/04).

MODERATE GROWTH PROJECTED FOR MEXICAN SUPERMARKETS IN 2004

Although 2003 was not a great year for Mexican supermarket chains, the three largest saw sales increases of 5-10 percent and are projecting similar sales gains in 2004. Wal-Mart, Mexico's largest supermarket chain, reported a ten-percent increase in overall sales in 2003, and is expecting sales to increase 11 percent in 2004. Comercial Mexicana, which accounts for 13-14 percent of Mexican supermarket sales, has changed its marketing focus from specials and sales to overall low prices (reflecting Wal-Mart's every day low pricing strategy). This chain is expected to report a sales increase of five to seven percent in 2003 and is projecting a six percent increase in sales in 2004. Soriana, which is moving forward with an aggressive expansion plan across the country, experienced a seven percent increase in sales in 2003, and is projecting a ten percent increase in 2004. The Gigante chain has not released data or projections, but its sales increases are believed to be in line with those of Comercial Mexicana and Soriana. Sales projections could be dampened if the expected up tick in the Mexican economy does not occur. (Source: *El Financiero*, 1/7/04)

H-E-B, THE GREATEST SELLER OF FISH AND SEAFOOD IN MEXICO

H-E-B, a supermarket chain from Texas, opened its first store in Mexico on December 1, 1995. Since then, H-E-B Mexico has opened more than 20 stores in northern Mexico. Today,

H-E-B sells more seafood than any other Mexican supermarket chain, many of which have more stores and can be found throughout the country. For H-E-B, the seafood department is integral to its marketing strategy and makes up an important part of total sales for each store. The seafood department has, generally, a stable growth rate, no less than 15 percent per year. In 2003, sales increased 26 percent over 2002. H-E-B only purchases from facilities that use approved HACCP food safety practices. Fish is H-E-B's best seller, followed by shellfish. (Source: *Seafood Magazine*, Vol. 1, No.3, December 2003, January 2004)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX4001	Weekly Highlights & Hot Bites Issue #1	1/7/04
MX4002	Mexico Announces NAFTA 2004-2007 In-quota for U.S. Corn	1/7/04
MX4003	Mexico Establishes 2004 Tariffs on Out-of-Quota Corn, Beans and Dry Milk	1/12/04
MX4004	Dry Milk WTO Quota	1/12/04
MX4005	Dry Milk NAFTA Quota	1/12/04
MX4006	BSE Update	1/9/04

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